AUGUST 18, 1980

TWO DOLLARS

Forbes

4/11/80 C3950-1 J issue

IRAQI DICTATOR SADDAM HUSSEIN

CAN HIS OIL BILLIONS BUY LEADERSHIP OF THE ARAB WORLD?

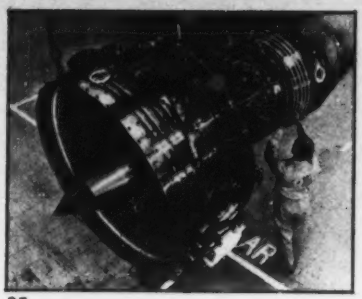
BEST AVAILABLE COPY

0 74820 08317 33

Forbes

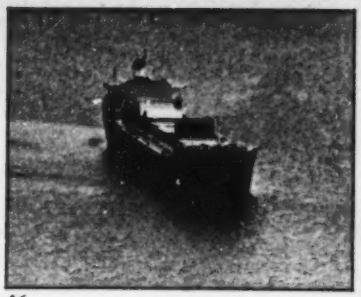
August 18, 1980
Volume 126, Number 4

37



35

45



46

Features

Companies: *A Contrary Opinion.* It takes a certain amount of courage to write an optimistic scenario for Chrysler. But FORBES Washington Bureau Chief (and old Detroit hand) Jerry Flint feels a good case can be made for its survival, perhaps even its return to prosperity. 33

Aerospace: *Jet Wars.* Out of nowhere, General Electric has turned the multibillion-dollar market for big jet engines into a donnybrook. 35

Cover Story: *Iraq: The Oil, C'Est Moi.* Iraq has replaced Iran as the second-biggest OPEC oil producer. Its ruler, Saddam Hussein, now has delusions of grandeur: He wants to be what Nasser was 20 years ago. But forget most of what you've read lately about Iraq's new "moderation." 37

Energy: *Feeding The Sharks.* The government is opening its purse in the name of saving energy. In that business, money doesn't always buy results. 45

Energy: *The Boom In Coal Exports.* While Americans fiddle with energy policy, Europe burns U.S. coal in increasing quantities. 46

Japan: *The Multitier Wage System.* Unlike the U.S., Japan does not institutionalize unemployment. 53

Energy: *Another Depressed U.S. Industry.* Thanks to the antinukes, the U.S. could end up as dependent on foreign uranium as it is on foreign oil. 58

Statistical Spotlight: *Cellar Dwellers.* More than 50 Big Board companies under $5. 64

Companies: *Sackcloth And Ashes.* Never again, says Coca-Cola Bottling of New York. After nine years of dismaying diversification, it's going back to beverages. 66

Companies: *Operation Steelstrap.* In the sagging U.S. steel industry, Allegheny Ludlum stands out for its continuing profitability. 81

The Money Men: *Big And Small.* Dave Williams manages $8 billion on Wall Street. Ronald Sadoff runs $20 million out of an office in his Milwaukee home. What they have in common are impressive records. 82

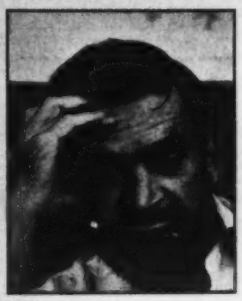
Foreign Aid: *Who CAREs?* With little fanfare, CARE has turned into one of the world's best aid programs. 86

Faces Behind The Figures

Milton Friedman, *Economist* 92
Richard R. Shinn, *Metropolitan Life* 92
Yoji Hamawaki, *Kawasaki Heavy Industries* 92
Raymond K. Mason, *Charter Co.* 94
Robert K. Heimann, *American Brands* 94
Charles H. Shaw, *Real Estate Developer* 94
Justin Dart, *Dart Industries* 96
Robert LeResche, *Alaska Comm. of Natural Resources* 96
Robert M. Schaeberle, *Nabisco* 96
William Samengo-Turner, *Bellefonte Cos.* 96
Lloyd Bentsen, *U.S. Senate* 101
E. Gerald Corrigan, *Federal Reserve Bank of Minneapolis* 101
Paul Bloom, *Department of Energy* 101
Mitchell Rogovin, *Rogovin, Stern & Huge* 102
William Ziff, *Ziff Corp.* 102
Lu Yuxi, *People's Republic of China* 102

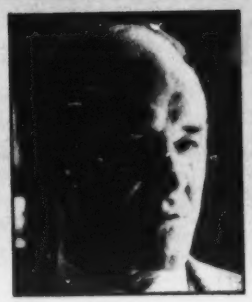
The Streetwalker: *Hybrid Convertibles.* Want to borrow long-term money at 3%? Here's how Textron did it, and how Mesa Petroleum did nearly as well—through an unconventional kind of convertible. 104

Insurance: *Blindman's Buff!* Reinsurance looks simple enough. It also looks like a money machine. The high rollers seem to have discovered it. 108



58

66



86

120

Money And Investments

Government Spending: *The Peter-To-Paul Principle.* While the politicians vie with each other making promises to hold down government spending, ponder this: Over half the federal budget for the next fiscal year is simply redistributed income. 110

Investing: *The Odd Couple.* White-maned Andrew Melton is a casting director's ideal of a Wall Street executive. Hyperkinetic Jay Perry would never get the role. If between them they can't get Dean Witter Reynolds into the big time, then nobody can. 112

Companies: *Floating Upstream.* Why are Texas' superrich Bass brothers buying all that S&H stock? 114

Companies: *Mr. Mac's Birds.* A mighty good business. .118

Industry: *More Than A Buzzword.* The man who thought up "reindustrialization" says cutting taxes and red tape will help. But it won't be enough. 120

Companies: *Ill-Wind Windfall.* Twice since 1968 a seeming death blow has led to Arcata's rejuvenation. 122

Companies: *Burning A Hole In His Pocket.* What do you do with $270 million in cash at the age of 64? That's what Halcon International's Dr. Ralph Landau must be asking himself these days. 124

Companies: *Family Feud.* The saga of the Davis family of Texas and their $2 billion oil empire may sound like a second-rate soap opera with a violent twist to the script. But it's real. 126

Companies: *The Other Side Of Revlon.* Almost any other company would trumpet the accomplishment, but for reasons best known to Revlon, Inc. Chairman Michel C. Bergerac, the company stubbornly downplays the fact that it is building a top health-care business. 130

The Economy: *Bad News With A Silver Lining.* Beware those seductive words "bottoming out." They seem to say the recession is over. It isn't. The good news, though, is that inflation will moderate. 133

Columnists

Ben Weberman 134
Heinz H. Biel 136
Ashby Bladen 138
Srully Blotnick 140
Richard B. Hoey 142
Martin T. Sosnoff 144

Departments

Side Lines 6
Trends 10
Follow-Through 14
Flashbacks 18
Readers Say 20
Fact and Comment.....25
Other Comments 28
Editorial Index 147
Thoughts.....148

Photos: pp. 6, 66, 94 top, 96 top, 102 center and right, Bill Kelly; p. 12, UPI; pp. 37, 39, Sygma; pp. 38, 41, Nik Wheeler/Black Star; p. 38 right, C. Simonpietri/Sygma; p. 39, Black Star, Gamma Liaison; p. 45, Nicholas Eyle; p. 46, Robie Ray/Virginia Pilot; p. 53, Nippon Steel/Gamma Liaison; p. 58, Jim Natchway; pp. 81, 92 top, Patrick Pagnano; p. 82, John Chang McCurdy; p. 85, Ted Rozumalski/Black Star; p. 86, Eric Poggenpohl; p. 92 left, Century Productions, Ltd.; p. 92 right, Marc Weinstein; p. 94 left, John Remberton/NY Times; p. 96 left, James Caccavo/Empire; p. 96 center, Rob Stapleton; p. 96 bottom, John Moss/Black Star; p. 101 top, Bruce Hoertel; p. 101 bottom, Alvis Upitis/Black Star; pp. 101 right, 102 left, Paul Conklin/Lensman

Charts and Maps: pp. 34, 39, Andrew Christie; p. 110, Bob Conrad

Cover Photo: Alain Noques/Sygma

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $27 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

Copyright © 1980 Forbes Inc.

Five dollars nowadays won't get you a box seat and a bag of peanuts at most ball parks, but it will still buy you one share of common stock in any one of 56 Big Board companies and leave you with change.

Cellar dwellers

To the showers

Losers, yes. Most of the 56 stocks listed below, all selling under $5, are not of institutional quality and cannot be margined. But most of these companies will survive for a comeback in another season.

Company	Recent price	Price range 1970-80	Latest 12-month earnings per share	Price/ earnings ratio	Tangible book value per share[1]	Tangible book/ price	Industry
Institutional Investors Trust	1⅛	19⅞– ⅞ [2]	d $1.36	def	$ 0.11	0.10	Real estate investment trust
Lehigh Valley Industries	1⅛	8½– ½	d 2.38	def	neg	NM	Multicompany
First Pennsylvania Mortgage Trust	1⅜	30⅝–1⅛ [3]	d 1.40	def	0.50	0.36	Real estate
BT Mortgage Investors	1⅞	34⅜–1 [3]	d 0.56	def	1.29	0.69	Real estate investment trust
Southmark Properties	2	39¾–1	d 0.10	def	2.27	1.14	Real estate investment trust
National Homes	2¼	38⅜–1¾	d 0.04	def	4.72	2.10	Building
Winnebago	2¼	48 –1¾	d 0.68	def	3.02	1.34	Mobile homes
GMR Properties	2⅜	21¾–1 [3]	d 0.28	def	2.21	0.93	Real estate investment trust
Mobile Home Industries	2⅜	33¾–1½	0.21	11.3	1.81	0.76	Mobile homes
Itel Corp	2¾	37½–1⅞	d 19.72	def	neg	NM	Leasing
Republic Mortgage Investors	2¾	23⅛– ½	0.10	27.5	4.34	1.58	Real estate investment trust
Ronson	2¾	10⅛–1½	0.07	39.3	4.79	1.74	Electrical equipment
Texfi Industries	2¾	67½–2¼	d 4.31	def	7.71	2.80	Textiles
Pueblo International	2⅞	23¼–2⅛	0.85	3.4	7.02	2.44	Groceries
Arctic Enterprises	3	45½–1¼	d 3.67	def	6.90	2.30	Snowmobiles
GF Business Equipment	3	14⅜–2¾	d 0.28	def	15.49	5.16	Office equipment
JW Mays	3	32½–2¾	0.08	37.5	13.29	4.43	Retail
ICN Pharmaceuticals	3⅛	36⅞–1¼	d 0.90	def	0.54	0.17	Ethical drugs
Pier 1 Imports	3⅛	30⅞–1	d 1.36	def	0.29	0.09	Retail
South Atlantic Financial	3⅛	25½–1¼	d 1.91	def	3.57	1.14	Real estate investment trust
Tri–South Investments	3⅛	34¾– ½	0.71	4.4	6.28	2.01	Real estate investment trust
Bobbie Brooks	3¼	21½–1	d 1.16	def	7.89	2.43	Apparel
UMET Trust	3¼	33⅜– ⅞	d 0.93	def	1.58	0.49	Real estate investment trust
United Park City Mines	3¼	6½–1⅛	0.13	25.0	3.29	1.01	Mining
Farah Manufacturing	3⅜	49¼–2¾	0.35	9.6	2.61	0.77	Apparel
Midland Mortgage Investors Trust	3⅜	18½–1	1.05	3.2	2.04	0.60	Real estate
Steego Corp	3½	5½–1½	0.66	5.3	6.14	1.75	Auto parts
Superscope	3½	40⅞–3⅛	d 6.71	def	14.74	4.21	Electronics

[1]Source: Standard & Poor's. [2]8-year price range. [3]9-year price range. [4]Formerly known as Diversified Mortgage Investors. [5]Latest 13-month earnings.
d, def: deficit. neg: negative. NM: Not meaningful. NA: Not available.

BEST AVAILABLE COPY

EXCUSE US IF we drop into sports-page lingo here. It seems appropriate, though, in view of the sporting character of most of these stocks. Why run the list of losers, then? Well, losers can become winners, as every fan of the Houston Astros can testify. A few of these 56 under-$5 stocks almost certainly will become winners. A fair number will if the early summer rally turns into a full-fledged bull market.

The name of the game is leverage: When a cellar-dweller makes its move, a sizable percentage gain results from a surge of just a few points. Stocks selling for under $5 are too risky for most institutional investors and usually cannot be purchased by individual speculators on margin. But when a stock breaks out of its low-price slump it can gain additional price strength from the demand of institutions and margin buyers.

Just a few years ago many of the securities on our roster were real champs. Or at least they looked like champs if you went only by their price momentum. Most of these stocks were selling at earnings and book value multiples that were right out of the ball park. As a group these stocks are now down 36% to 96% from their ten-year highs.

Twelve are real estate investment trusts. Not one of the real estate investment trusts on our list is presently paying out a cent in dividends. The list also contains several companies in the automotive, mobile-home and grocery industries. A turnaround in any of these industries is quite possible.

The cellar dwellers are not income stocks. In fact, only Steego, Adams Drug, Adams-Millis, House of Fabrics and Borman's are currently paying dividends. The Borman's dividend seems to have as much chance of lasting as a tired right-handed relief pitcher facing Reggie Jackson with the bases loaded and no one out in the bottom of the ninth. Unlike Reggie Jackson, Borman's, a grocery chain, earned only 1 cent a share during the last 12 months.

Thirty-two of our cellar dwellers are running in the red and, unless they clean up their acts soon, some of them might be headed back to the minors or released outright. Itel lost $19.72 a share in the last 12 months. Superscope hasn't had a winning quarter since the third quarter of 1977, and American Motors, the smallest domestic automaker, lost almost $85 million in its fiscal third period.

History proves that some of the cellar dwellers will approach their former highs and again become first-division contenders. One thing is certain—you cannot go much lower than the basement. Even a return to book value would represent a sizable appreciation for most of these stocks. White Motor, for example, could double and would still be selling at a 60% discount from book.

Feel like a whirl in stocks like these? A word to the wise then: Buy a batch of them, not just one. For about $5,000 or a bit more, you could buy 100 shares each of 20 of these stocks. Then, if some go bust you will have plenty of others with a chance to bail you out. A dart board is as good a way as any to pick 20. Or, hell, for less than $20,000 you could buy 100 shares each of all 56.—*Steve Kichen*

Company	Recent price	Price range 1970-80	Latest 12-month earnings per share	Price/ earnings ratio	Tangible book value per share[1]	Tangible book/ price	Industry
Telex	3½	31⅞– ⅞	$ 0.08	43.8	$ 3.31	0.95	Computers
Aileen	3¾	29½–1⅜	0.58	6.5	7.76	2.07	Apparel
Arlen Realty & Development	3¾	24¾–1	d 1.42	def	neg	NM	Real estate
Borman's	3¾	14⅝–1⅛	0.01	NM	11.16	2.98	Groceries
North American Mortgage Investors	3¾	36⅜–2⅝	d 0.36	def	5.23	1.39	Real estate investment trust
Adams Drug	3⅞	26¾–1⅜ [2]	0.62	6.3	7.09	1.83	Drugstores
Elixir Industries	3⅞	39 –2	d 0.52	def	8.57	2.21	Mobile homes
Genesco	3⅞	39¾–2⅝	0.37	10.5	neg	NM	Retail
DMI[4]	4	32¾– ⅞	d 0.29	def	7.89	1.97	Real estate investment trust
Berkey Photo	4⅛	26¾–1⅞	0.63	6.5	4.66	1.13	Recreation
Kroehler Manufacturing	4⅛	47¼–3¼	d 13.07	def	14.03	3.40	Furniture
LLC Corp	4⅛	22¾–1½	0.05	NM	3.31	0.80	Finance
Fedders	4¼	50 –2½	d 3.84	def	2.16	0.51	Appliances
Safeguard Industries	4¼	NA	d 0.59	def	5.66	1.33	Auto parts
Sambo's Restaurants	4¼	24¼–2⅝	d 6.26	def	2.47	0.58	Fast foods
National Tea	4⅜	14¾–2	0.84	5.2	7.22	1.65	Groceries
Pamida	4⅜	24⅜–2½	0.37	11.8	7.10	1.62	Retail
White Motor	4⅜	32¼–3¾	d 1.48	def	23.78	5.44	Automotive
F&M Schaefer	4½	59 –2	d 2.32	def	neg	NM	Brewing
Uniroyal	4½	23⅝–3⅛	d 5.22	def	16.89	3.75	Automotive
Chock Full O'Nuts	4⅝	10⅞–1¾	0.88	5.3	3.92	0.85	Fast foods
Jewelcor	4⅝	37⅞–1⅜	0.51	9.1	11.92	2.58	Jewelry
State Mutual Investors	4⅝	28 – ¾ [3]	0.34 [5]	13.6	7.02	1.51	Real estate investment trust
Talley Industries	4⅝	36⅜–4¼	d 1.65	def	10.16	2.20	Precision instruments
Adams-Millis	4¾	19⅝–1¾	0.60	7.9	10.77	2.27	Textiles
American Motors	4⅞	13⅜–3¼	d 1.92	def	14.22	2.91	Automotive
Growth Realty Companies	4⅞	35 – ¾	d 1.15	def	7.22	1.48	Real estate investment trust
House of Fabrics	4⅞	29⅞–3⅜	0.49	9.9	8.89	1.82	Retail

[1]Source: Standard & Poor's. [2]8-year price range. [3]9-year price range. [4]Formerly known as Diversified Mortgage Investors. [5]Latest 13-month earnings.
d, def: deficit. neg: negative. NM: Not meaningful. NA: Not available.

BEST AVAILABLE COPY